

# ZHULIAN CORPORATION BERHAD (415527-P)

Plot 42, Bayan Lepas Industrial Estate

Phase IV, 11900 Penang, Malaysia.

Tel: 604-6412020 Fax: 604-6425989

## CONDENSED CONSOLIDATED BALANCE SHEET

	As at end of Current Quarter 31.05.2007 RM'000 (Unaudited)	As at Preceding Financial Year End 30.11.2006 RM'000 (Audited)
<b>Assets</b>		
Property, plant and equipment	54,134	63,081
Land held for property development	10,581	10,581
Interest in an associate	15,784	14,874
Deferred tax assets	-	168
<b>Total non-current assets</b>	80,499	88,704
Inventories	45,020	45,885
Trade and other receivables	22,037	24,404
Tax recoverable	1,585	1,628
Cash and cash equivalents	125,304	88,639
<b>Total current assets</b>	193,946	160,556
<b>Total assets</b>	274,445	249,260
<b>Equity</b>		
Share capital	172,500	142,226
Reserves	8	(11)
Retained profits	71,809	64,704
<b>Total equity attributable to shareholders of the Company</b>	244,317	206,919
<b>Minority Interests</b>	76	76
<b>Total Equity</b>	244,393	206,995
<b>Liabilities</b>		
Deferred tax liabilities	455	-
Borrowing	-	627
<b>Total non-current liabilities</b>	455	627
Trade and other payables	28,842	38,804
Borrowing	-	300
Taxation	755	2,534
<b>Total current liabilities</b>	29,597	41,638
<b>Total equity and liabilities</b>	274,445	249,260
Net assets per share (sen)	70.82	72.74

The selected explanatory notes form an integral part of, and should be read in conjunction with, this interim financial report.

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## CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 MAY 2007

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2007 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2006 RM'000 (Unaudited)	Current Year To Date 31.05.2007 RM'000 (Unaudited)	Preceding Year To Date 31.05.2006 RM'000 (Unaudited)
<b>Revenue</b>	<u>53,590</u>	<u>-</u>	<u>106,438</u>	<u>-</u>
<b>Profit from operations</b>	11,497	-	28,940	-
Finance costs	(25)	-	(40)	-
Share of profit after tax of associate	3,074	-	5,676	-
<b>Profit before taxation</b>	<u>14,546</u>	<u>-</u>	<u>34,576</u>	<u>-</u>
Income tax expense	(2,700)	-	(7,471)	-
<b>Profit for the period</b>	<u>11,846</u>	<u>-</u>	<u>27,105</u>	<u>-</u>
<i>Weighted average number of shares in issue ('000)</i>	302,694	-	293,673	-
Basic earnings per share (sen)	<u>3.91</u>	<u>-</u>	<u>9.23</u>	<u>-</u>

The selected explanatory notes form an integral part of, and should be read in conjunction with, this interim financial report.

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MAY 2007

	Share Capital RM'000	Share Premium RM'000	Exchange Fluctuation Reserve RM'000	Retained Profits RM'000	Total RM'000
<b>As at 1 December 2006</b>	142,226	-	(11)	64,704	206,919
Translation of the opening net investment in foreign subsidiary at period end exchange rate	-	-	19	-	19
Rights issue	30,274				30,274
Profit for the period	-	-	-	27,105	27,105
Dividend				(20,000)	(20,000)
<b>As at 31 May 2007</b>	<u>172,500</u>	<u>-</u>	<u>8</u>	<u>71,809</u>	<u>244,317</u>

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MAY 2007

	<b>Current Year To Date 31.05.2007 RM'000 (Unaudited)</b>	<b>Preceding Year To Date 31.05.2006 RM'000 (Unaudited)</b>
Net cash generated from operating activities	14,536	-
Net cash generated from investing activities	12,858	-
Net cash generated from financing activities	9,255	-
Net increase in cash and cash equivalents	<u>36,649</u>	<u>-</u>
Cash and cash equivalents at beginning of financial period	87,519	-
Effects of exchange rates on cash and cash equivalents	(13)	-
Cash and cash equivalents at end of financial period (Note 1)	<u><u>124,155</u></u>	<u><u>-</u></u>

**Note:**

Cash and cash equivalents at the end of the financial period comprise the following :-

	<b>As at 31.05.2007 RM'000</b>	<b>As at 31.05.2006 RM'000</b>
Cash and bank balances	9,605	-
Deposits (excluding pledged deposits)	114,550	-
	<u><u>124,155</u></u>	<u><u>-</u></u>

Certain deposits amounting to RM 1,149,000 were pledged to the licensed banks for banking facilities granted to certain subsidiaries of the Group.

The selected explanatory notes form an integral part of, and should be read in conjunction with, this interim financial report.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MAY 2007**

**1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in compliance with Financial Reporting Standards (“FRS”) 134<sub>2004</sub>, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the financial year ended 30 November 2006. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 November 2006.

There are no comparative figures presented in this quarterly report, as the Group was only in existence on 28 April 2006 with the completion of the acquisition of its subsidiaries then.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the financial year ended 30 November 2006 except for the adoption of the following new/revised FRS effective for the financial period beginning 1 December 2006:

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 117	Leases
FRS 121	The Effects of Changes in Foreign Exchange Rates- Net Investment in a Foreign Operation
FRS 124	Related Parties Disclosure
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 3, 5, 102, 108, 110, 116, 117, 121, 124, 127, 128, 132, 133, 136, 138 and 140 does not have any significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

*FRS 117 Leases*

*Prior to 1 December 2006, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land. Leasehold land held for own use is now classified as operating lease and up-front payments made represents prepaid land lease payment and are amortised on a straight-line basis over the lease term.*

*The Group has applied the above change in accounting policy in accordance with the transitional provision of FRS 117 whereby the unamortized amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payment.*

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MAY 2007 (Cont'd)**

*FRS 101 Presentation of Financial Statements*

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associate and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**2. Auditors' Qualification**

The Group's most recent annual audited financial statements for the financial year ended 30 November 2006 was not subject to any audit qualification.

**3. Seasonal or Cyclical Factors**

The Group's performance is not affected by the seasonal or cyclical factors except that during major festive seasons, the demand for our jewellery and consumer products tends to improve.

**4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period under review due to their nature, size, or incidence.

**5. Changes in Estimates**

There was no material changes in estimates of amounts reported in prior financial period.

**6. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year to date.

**7. Dividend Paid**

Since the end of the quarter ended 28 February 2007, the special interim dividend of 1.257% less 27% tax and tax exempt dividend of 6.114%, totalling RM20,000,000 in respect of the financial year ended 30 November 2006 was paid on 23 March 2007.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MAY 2007 (Cont'd)**

**8. Segment Revenue and Results**

*Financial data by business segment for the Group*

	← Current Period To Date → 31 May 2007			
	Revenue RM'000	%	Operating Profit/(Loss) Before Taxation RM'000	%
Manufacturing	27,556	26	16,275	56
Marketing, Trading & Management Services	78,882	74	12,683	44
Others	-	-	(18)	-
	106,438	100	28,940	100

**9. Revaluation of Property, Plant and Equipment**

Not applicable. No valuation policy was adopted for property, plant and equipment of the Group.

**10. Material Post Balance Sheet Events**

There were no material events subsequent to the end of the period under review which have not been reflected in this interim financial report.

**11. Changes in Group's Composition**

There were no changes in the composition of the Group during the current financial period ended 31 May 2007.

**12. Changes in Contingent Liabilities and Assets**

There were no contingent liabilities and assets as at the end of the reporting period.

**13. Changes in Material Litigations**

Save as disclosed below, as at 10 July 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) the Company and its subsidiaries are not engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the Group's financial or business position. The Directors of the Company do not know of any proceedings pending or threatened or of any fact which is of their opinion, with the advice from their legal adviser, likely to give rise to any proceedings which might materially affect the Group's financial or business position.

- (i) A writ of summons has been filed at Johor Bahru High Court on 24 December 2003 by Noraini Binti Idris (as Plaintiff) against ZMMSB and Beautechnic Sdn Bhd (as Defendants) claiming for, inter alia, special and general damages for products liability negligence or alternatively for breach of contract. The Plaintiff claimed that she has suffered from skin disease as a result of consumption of the products from the ZMMSB.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MAY 2007 (Cont'd)**

The solicitors for ZMMSB are of the view that ZMMSB stands a good chance of defending the case based on several shortcomings on evidence produced by the Plaintiff. The case has been fixed on 22 June 2007 to enable Plaintiff to amend their writ of summons and statement of claim.

- (ii) A writ of summons has been filed at Penang High Court on 18 March 2004 by Siti Rohani Bt Abd Samad (as Plaintiff) against ZMMSB (as Defendant) for, inter alia, a declaratory relief that the termination of the Plaintiff as a distributor by the Defendant was unlawful and that she is to continue as a member and a distributor for direct selling of the Defendant's products. The Plaintiff also claimed for RM1,000,000 or such alternate sum as damages for alleged defamation by the Defendant. The total sum claimed by the Plaintiff is approximately RM1.5 million.

ZMMSB has been informed by its solicitors that it has sufficient proof of the material allegations on the Plaintiff's conduct and the solicitors are of the opinion that ZMMSB will stand a good chance of defending the suit upon the hearing of oral evidence by the Court. The case has been fixed for mention on 18 July 2007 and for hearing of application to decide on a preliminary issue on 8 August 2007.

**14. Review of earnings and/or revenue of the Company and its subsidiaries for current quarter and financial period to date**

The Group recorded a profit before taxation of RM27.105 million and revenue of RM106.438 million for the financial period to date. The profit before taxation and revenue for the current quarter under review was RM 11.846 million and 53.590 million respectively.

**15. Material Change in Profit Before Taxation reported on as compared with the immediate preceding quarter**

The revenue for the current quarter under review was higher than the immediate preceding quarter, mainly contributed by higher demand from local market. Despite the increase in revenue, the profit before taxation for the current quarter under review lower, compared to immediate preceding quarter. This was mainly due to higher selling and distribution costs incurred during the current quarter under review.

**16. Current year prospects**

The Board of Directors expects the Group's performance for the remaining quarters to be satisfactory.

**17. Profit Forecast**

A profit forecast was provided for the financial year ending 30 November 2007 in the Prospectus dated 3 April 2007 in connection with the Company's listing on the Main Board of Bursa Malaysia Securities Berhad.



**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MAY 2007 (Cont'd)**

**18. Taxation**

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.2007 RM'000 (Unaudited)	Preceding Year Quarter 31.05.2006 RM'000 (Unaudited)	Current Year To date 31.05.2007 RM'000 (Unaudited)	Preceding Year To date 31.05.2006 RM'000 (Unaudited)
Current taxation-based on profit for the period	2,700	-	7,471	-

**19. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

During the quarter, there was a disposal of freehold property known as Lot 9588 Mukim 12, Daerah Barat Daya, Pulau Pinang at the consideration of RM 10,375,000. The gain on disposal was approximately RM 148,000, after net off the Real Property Gain Tax.

**20. Purchase or Disposal of Quoted Securities**

There was no purchase or disposal of quoted securities for the quarter under review and financial period to date.

**21. Status of Corporate Proposals**

In conjunction with and as an integral part of the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of Bursa Malaysia Securities Berhad, the Company undertook a restructuring exercise which involved the following:

On 23 March 2007, the Company undertook a rights issue of 60,548,553 new ordinary shares of RM0.50 each in the Company ("Shares") at an issue price of RM0.535 per Share, for cash on the basis of approximately 0.213 new Share for every 1 existing share held ("Rights Issue"). The completion of the Rights Issue resulted in an increase in the issued and paid-up share capital of the Company from RM142,225,723.50 comprising 284,451,447 Shares to RM172,500,000 comprising 345,000,000 Shares.

The entire issued and paid-up share capital of the Company comprising 345,000,000 ordinary shares of RM0.50 each was listed and quoted on 27 April 2007 on the Main Board of Bursa Malaysia Securities Berhad.

**22. Group Borrowings**

	As at 31 May 2007 RM'000
Short term borrowings (secured)	-
Long term borrowings (secured)	-
	<u>-</u>

The finance lease obligations of the subsidiary have been fully settled in May'07.

**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE PERIOD ENDED 31 MAY 2007 (Cont'd)**

**22. Off Balance Sheet Financial Instruments**

There are no off balance sheet financial instruments as at the date of this report.

**23. Dividend Declared**

- i) An interim dividend of 7 sen per ordinary share of RM 0.50 each less 27% income tax has been declared on 17 July 2007, based on the existing share capital of 345,000,000 ordinary shares.
- ii) In respect of deposited securities, entitlements to the interim dividend will be determined based on shareholders registered in the record of depositors as at 3 August 2007. The payment date is 17 August 2007.

**24. Basic Earnings per Share**

The basic earnings per share for the financial period are computed based on the Group's net profit divided by the weighted average number of shares in issue during the financial period.

	Individual Quarter		Cumulative Quarters	
	Current Year Quarter 31.05.07 RM'000 (Unaudited)	Preceding Year Quarter 31.05.07 RM'000 (Unaudited)	Current Year To Date (Quarters to 31.05.2007 ) RM'000 (Unaudited)	Preceding Year To Date (Quarters to 31.05.06 ) RM'000 (Audited)
Net profit for the period (RM'000)	11,846	-	27,105	-
<i>Weighted average number of shares in issue ('000)</i>	302,694	-	293,673	-
Basic earnings per share (sen)	3.91	-	9.23	-

The Group has no potential ordinary shares in issue, therefore diluted earnings per share has not been presented.

By Order of the Board

Lam Voon Kean  
Secretary

17 July 2007  
Penang